



# WEEKLY ECONOMIC DIGEST



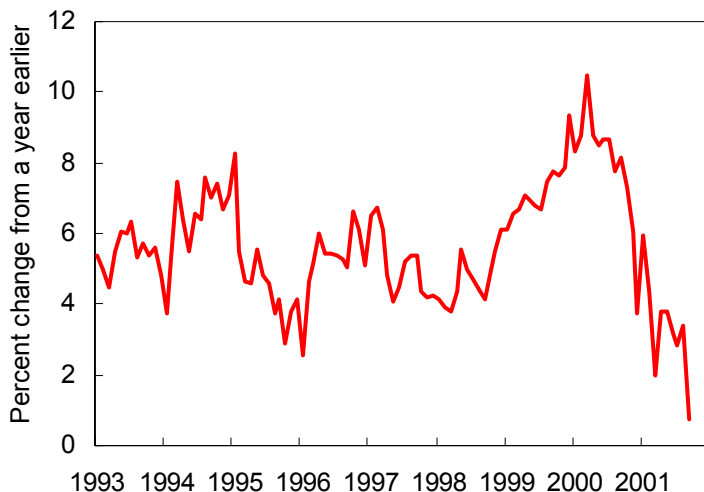
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October 16, 2001

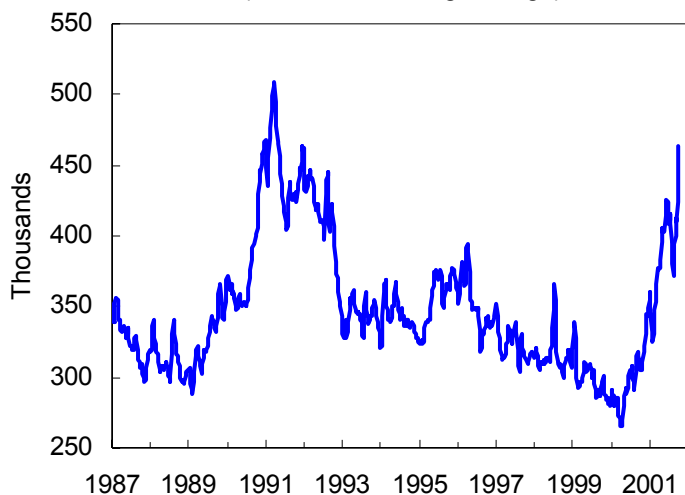
## September Sales Sag, Sharpening Near-Term Uncertainty

Retail Sales and Food Services  
(Excluding autos)



Source: Bureau of the Census, U.S. Department of Commerce.

Initial Claims for Unemployment Insurance  
(Four-week moving average)



Source: Employment and Training Administration, U.S. Department of Labor.

- **Retail sales fell sharply in September.** Advance estimates indicate that total retail and food service sales dropped by 2.4 percent last month. Sales excluding motor vehicles and parts declined by 1.6 percent to a level that is only 0.8 percent above the level that prevailed a year ago. Those declines surprised most analysts who had been expecting declines only a third as large. Hardest hit were clothing retailers and food services whose sales declined by more than five percent.
- **Unemployment insurance claims indicate continued weakness in labor markets.** After surging in the weeks following September 11, new claims for unemployment insurance dropped by 67,000 during the first week of October. Nevertheless, the four-week moving average of initial claims rose to 463,000, its highest level since the 1991 recession. The insured unemployment rate rose to 2.7 percent, a full percentage point above the level that prevailed a year earlier.
- **Consumers are slightly more confident in early October.** Preliminary results from the October surveys by the Survey Research Center of the University of Michigan suggest that consumer confidence may have stopped falling, at least for now. Among other things, consumers reacted positively to federal spending programs proposed to counteract the downturn, contributing to an improvement in overall consumer expectations. Additionally, a higher proportion of those surveyed reported that they are planning to spend their tax rebates than was the case in recent months.
- **Recent indicators are inconclusive.** Other measures of household spending painted a mixed picture for household spending in early October. On the one hand, chain-store sales and mortgage applications were down sharply in the first week of the month. On the other hand, automakers reported a surprisingly enthusiastic buyer response to financing incentives as vehicles sales surged. Those disparate indications underscore the near-term uncertainties for household spending.

<b>Economy At A Glance</b>	Sep	Aug	Jul	Jun	2001 Qtr 3	2001 Qtr 2	2001 Qtr 1	2000 Qtr 4	2000	1999
<b>Economic Activity</b>										
Real GDP (% growth)						0.3	1.3	1.9	4.1	4.1
Industrial Production (% growth)*		-9.2	-1.2	-12.7		-4.4	-6.8	-0.9	5.6	4.2
Capacity Utilization (Level, %)*		76.2	76.9	77.1		77.8	79.2	81.3	82.1	81.2
Civilian Unemployment Rate (Level, %)	4.9	4.9	4.5	4.5	4.8	4.5	4.2	4.0	4.0	4.2
Housing Starts (Thousands)*		1527	1641	1634		1623	1627	1539	1575	1647
Real Disposable Personal Income (% growth)		25.3	23.9	1.2		2.4	2.7	4.2	3.5	2.5
Retail Sales (% growth)	-24.9	5.8	2.4	-0.2	-1.0	5.2	5.2	0.2	7.6	8.2
Personal Saving Rate (Level, %)		4.1	2.5	1.0		1.1	1.1	1.0	1.0	2.4
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, All Items (% growth)*		1.2	-3.5	2.7		3.1	4.2	2.9	3.4	2.2
Core CPI-U Inflation (% growth)*		2.4	2.4	3.9		2.6	3.2	2.4	2.4	2.1
Compensation per Hour (% growth)						4.1	4.5	3.6	4.4	3.5
Output per Hour (% growth)						2.1	0.0	2.4	3.0	2.3
<b>Financial Markets</b>										
T-Bill Rate, 3-month (Level, %)	2.6	3.4	3.5	3.5	3.2	3.7	4.8	6.0	5.8	4.6
T-Note Rate, 10-years (Level, %)	4.7	5.0	5.2	5.3	5.0	5.3	5.1	5.6	6.0	5.7
Federal Funds Rate (Level, %)	3.3	3.7	3.8	4.0	3.6	4.3	5.6	6.5	6.2	5.0
Dow Jones Industrial Avg (Index Level)	9043	10315	10445	10767	9934	10669	10513	10586	10735	10465
<p>Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.</p> <p>Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted <b>annual</b> rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.</p> <p>* Subject to revision this week.</p>										

**Major Economic News Due This Week:**

- **Industrial Production, September** [Release: Tuesday, October 16, 2001]
- **Housing Starts, September** [Release: Wednesday, October 17, 2001]
- **Consumer Price Index, September** [Release: Friday, October 19, 2001]
- **International Trade, August** [Release: Friday, October 19, 2001]